Secrt. II-27—104,006—4-11-48.

Development **(1952) Department.**

Ms **SERIES.**

G.O. NO.	4305
Dated	10-10-1952

Passed
W
Supdt

[Despatch Abstract.]

Industries - Sericulture - Govt. Silk Filatures, Kollegal - Audit report on the accounts for 1949-50 — Working of Weaving Section — Decrease in profit Orders passed

GOVERNMENT OF MADRAS
Finance Department

Memorandum No.28482-Accts-1, dated the 17-4-1952.

Sub: Appropriation Accounts for 1949-'50 and the Audit Report for 1951 and Finance Accounts for 1949-'50 and Audit Report 1950.

A copy each of the above publications is forwarded for information to the Heads of Departments specified in the Annexure.

They are requested to make a careful study of the portions of the reports relating to their Departments and to apply the lessons to be learned from them to their every-day accounting, so as to avoid a recurrence of any irregularities brought to their notice.

Three copies of the publications are also forwarded to the each Department of the Secretariat (except Legal). A further note will be sent to them in regard to the items on which notes for the Public Accounts Committee have to be prepared.

T.A. Varghese,
Secretary to Government.

To
The Heads of Departments.
The Departments of Secretariat, including Food and Agriculture (Food Production) except Legal.
The Governor's Secretariat.
The Secretariat Library.

Forwarded/By order.

Superintendent.

ANNEXURE.

1. Board of Revenue (2 copies).
2. Chief Conservator of Forests.
3. Inspector-General of Registration.
4. Chief Engineer (General) 2 copies.
5. Chief Engineer (Irrigation)
6. Military Secretary to His Excellency the Governor.
7. Registrar, High Court.
8. Inspector General of Prisons.
9. Commissioner of Police. ~~2 copies~~
10. Inspector General of Police 2 copies
11. Director of Public Instruction.
12. Director of Medical Services.
13. Dirctor of Public Health.
14. Director of Agriculture (2 copies).

p.t.o.

15. Director of Animal Husbandry.
16. Registrar of Co-operative Societies.
17. Director of Industries and Commerce.
18. Director of Fisheries.
19. Commissioner of Labour.
20. Superintendent, Government Press.
21. Director of Cinchona.
22. Chief Engineer (Electricity,.
23. Superintending Engineer, (Pykara Electric System) Coimbatore.
24. Superintending Engineer, Construction Branch of Electricity Department, Papanasam.
25. Superintending Engineer, Mettur Electricity System, Mettur.
26. Executive Engineer, (Electrical) Bezawada.
27. Chief Engineer (Highways).
28. Transport Commissioner, Government Bus Service.
29. Special Chief Engineer.
30. Superintendent of Stationery.
31. Director of Harijan Welfare.
32. Board of Revenue (Civil Supplies) 2 copies

Ss.21/4/

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SPECIAL

3

Dev 62393 e/52
7-6-52

Copy of U.O.Note No.28863-ACCTS-2, Finance (Accounts) dated 19th May '52.

-oOo-

Sub: Appropriation Accounts of the Government of Madras for 1949-50 and the Audit Report, 1951 - Preparation of notes for the Public Accounts Committee.

Ref: Memorandum No.28482 Accts.1, dated 17th April 1952.

In continuation of the memorandum read above, a statement indicating the points on which notes have to be prepared for the consideration of the Public Accounts Committee is furnished to departments of the Secretariat.

2. In preparing the notes, departments are requested to observe the following instructions:-

(1) The notes should be arranged in the following order:-

(a) Reference to relevant paragraphs of the Appropriation Accounts and the Audit Report and the subject matter of the note;

(b) relevant extracts of the Accountant-General's remarks in the Appropriation Accounts and the Audit Report; and

(c) a brief and self contained note by the Administrative Department.

(2) The note by the Administrative Department should have no annexures or appendices. If references have to be made in the note to Government Orders or to reports from heads of departments, the substance of the Government Order or the report should be embodied in the note. If this is not possible the Government Order or report should be quoted in extenso as part of the note itself and not treated as an annexure to the note.

The attention of the departments of the Secretariat is invited to U.O. Note No.38741-Accts. A-1, dated 27th November 1943, communicating the observation of the Public Accounts Committee that where disciplinary action is taken against officers and subordinates in connection with financial irregularities and losses, information should be furnished to the Committee on the results of the disciplinary action taken.

(3) As the members of the Public Accounts Committee are non-officials, some of whom may not be fully conversant with technicalities of accounts, departments of the Secretariat are requested to take great care to ensure that the explanatory notes prepared for the consideration of the Committee are full and clear and that nothing is left in any way obscure or ambiguous.

(4) The drafts of all notes for the Committee should be sent to the Finance Department for acceptance. After approval by the Finance Department, 30 printed copies of the note should be furnished to the Finance Department. Instructions should be issued to the Government Press to keep the type standing so as to facilitate the printing of the report of the Committee later.

5.(a) Government Commercial concerns. The attention of the Development and Home Departments is invited to paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1929-30 according to which Administration Reports containing reviews of commercial concerns together with the Audit Officer's Reports should

P.T.O.

should be laid before the Public Accounts Committee simultaneously for consideration - see also paragraph 36 of the Report of the Public Accounts Committee on the Accounts of 1932-33.

The Development and Home Departments are requested to embody in their note placing the Audit Reports etc, of commercial concerns before the Public Accounts Committee not merely a list of the reports but also in regard to each concern information as to the amount of profit or loss (and its percentage to capital) in the year and information regarding any other important points raised in the Audit Report.

In view of the loss in working and continuous increase in closing stock in the Cinchona Department, the Development Department is requested also to furnish in their notes information regarding the latest position and steps taken to reduce the stock.

(b) STATE TRADING SCHEMES. The departments of the Secretariat concerned with State Trading Schemes (Development, Rural Welfare and Food and Agriculture Departments) are requested to prepare a brief note on the general results of each State Trading Scheme in the year or years in question, stating the net profit or loss in each year according to the proforma accounts, and dealing with any points that arise for consideration in regard to the accounts of the years under scrutiny in general and any special remarks of the Accountant-General. The notes should deal fully with the criticisms made by the Accountant-General in regard to the state of intial accounts in sub-paragraph (iv) (c) of paragraph 16 on pages 19 and 20 of the Audit Report. As in the case of Government commercial concerns these notes will be taken up by the Public Accounts Committee along with the other items relating to the departments of the Secretariat concerned in each case.

In respect of losses arising from these schemes, the Public Accounts Committee has desired that fuller details may be furnished for each item of loss, including quantities involved, reduction of prices, etc. The explanations of the departments should contain all the relevant details connected with the loss.

4. The Government desire that the consideration of the Appropriation Accounts and the Audit Report by the Public Accounts Committee should be completed as early as possible. Departments of the Secretariat are therefore requested to see that complete notes on all the items relating to them are prepared and furnished to this department as early as possible (and not later than 15th July 1952). The departments will appreciate that in order to work to this time-table, prompt action will be necessary at every stage and this must be impressed on Chief Controlling Officers and heads of departments concerned.

5. The departments of the Secretariat are requested to obtain the explanations of the Chief Controlling Officers for all variations exceeding Rs.2,000 or 10 per cent of the final appropriations, whichever is greater, with reference to paragraph 108 of the Madras Budget Manual (Second Edition).

6. Secretaries to Government are informed that they should be prepared to give the Public Accounts Committee at its meetings if, required, the reasons for the variations between the final appropriations and the actuals under the several heads of account with which they are concerned - see paragraph 5 above. Notes need not, however, be furnished unless the Committee calls for a note on any specific case of variation between the grant or appropriation and the actuals as shown on pages 31-469 of the Appropriation Accounts and the Audit Report.

7. The Heads of Departments who are concerned with items specifically included in the agenda should as far as practicable, attend the meetings of the Committee at which items relating to their respective Departments are to be considered.

8. The date of the meeting of the Public Accounts Committee will be intimated later.

Sd. T. A. VARGHESE,
Secretary to Government.

(TRUE COPY)

ANNEXURE.

List of items in the Appropriation Accounts for 1949-50 and the Audit Report 1951 on which further action is required.

Serial number and reference to the Appropriation Accounts, 1949-50 and the Audit Report 1951.	Subject-matter.	Departments concerned.
(1)	(2)	(3)
	I. Unnecessary or Excessive Supplementary Grant	
xx	xx	xx
	II. Reappropriations obtained unnecessarily or in excess of requirements.	
11 Page 10, paragraph 12(2) (ss also page 192)	Grant XXI - Industries - 43. Industries and Supplies-- a, Industries - T. Government Silk Filatures, Kollegal- 6. Other charges.	Development Department.
	III. Injudicious reappropriations and Surrenders causing Excesses over Allotments.	
23 Page 11, paragraph 12(3) (see also p.180)	Grant XX - Co-operation--c. Grants-in-aid--I. Ordinary areas.	Do.
28 Page 11, paragraph 12(3) (see also p.433)	Grant XXXVIII--Capital Outlay on Schemes of State Trading-c. Other Miscellaneous Schemes--C. Common suspense for schemes under the Director of Industries & Commerce.	Do.
	IV. Cases of N surrender of Savings.	
30 Page 11, paragraph 12(4) (ss also p.89)	Grant XI--District Administration and Miscellaneous--m. Other Establishments--H. Post-war Reconstruction-(1) Estimates of the Board of Revenue--1. Ordinary areas--Wynaad Colonisation Scheme--A. Revenue and Supervision--3. Allowances and other charges	Do. (P.&D.)
37 Page 11, paragraph 12(4)(see also p.179)	Grant XX--Co-operation-b. Superintendence--D. Rural Recreation Scheme--6. Charges recoverable from other Governments, Departments etc.	Devt.

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(1)	(2)	(3)
	V. Cases of Unremidied or Unrecovered Excesses	
75 Page 12, para 12(5) (See ~~xxx~~ also page 339)	~~xxxxxxXXXXIIxxxxx

Dev (G)

Memo. No 63393 G/52 - 1 dated 9/6/52

Sub: Appropriation Accounts for 1949-50 and Audit Report 1951 - Preparation of notes for the P.A. Committee.

pp 1-2 cf

Ref: Govt memo No 28482 Accts - 1 Finance Depn. of 17.4.52

An extract of Paragraph 3 of no note no 28863-Accts-2 Finance dated 19.5.52 is forwarded to the D.I.C. The D.I. &c is requested to prepare and submit before 25.6.52 a brief note on the Govt. silk Filatures, Kollegal, with reference to its Audit Report 1949-50 for placing it before the Public Accounts Committee. He is requested to embody in his note, information as to the amount of profit (and its percentage to capital) in the year and information regarding any other important points raised in the Audit Report.

K' on p 4 CF

A brief note on the lines indicated in paragraph 3 (b) of the no note should also be furnished in regard to the scheme for the 'Purchase and Sale of Japanese Silk.

AS 9.6.52

Depd 10/6/52

To the D.I. &c (with cut) R.D. 25.6.52 para 3-4 CF

ER. 25/6/52

SNR 2/7/52

9/6/52

Note

Memo above is subd with ref. to para 3 ~~(b)~~ of the Fin. note on p 4 CF. (Separate action is being taken with regard to other items).

K on p 4 CF

AS 9.6.52

9/6/52

9

(SPECIAL)

ORDER SECTION
2 . 6 . 52
DEVELOPMENT DEPARTMENT

Industries & Commerce Department

From
Sri M.T.Raju,Bar-at-Law.,I.C.S.,
Director of Industries & Commerce,
Mackays Gardens,
Madras.6.

To
The Secretary to Government,
Development Department,
Madras.

-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-c-

No.2105 R/52. dated 26-6-52.

Dr 71278 9/52
27/6/52

Sir,

Sub: Appropriation Accounts for 1949-50 and Audit report 1951 - Preparation of notes for the Public Accounts Committee

Ref: Government Memo No.63393G/52-1 Dev., dated 9-6-52.

A brief note on the following items called for in Government memo cited is enclosed:

1) Government Silk Filatures, Kollegal.
2) Scheme for purchase and sale of Japanese Silk.

K. Kammakaran
26.6.52
for Director of Industries and Commerce

trs/ 26/6

N O T E

Item (1) (Appropriation Accounts 1949-50 and the Audit report 1951 -Appendix - p. 473).

Government Silk Filatures, Kollegal.

The results of the working of the Silk Filatures, Kollegal during 1949-50 together with particulars regarding output, turnover, cocoons consumed and their cost, cost of labour, etc. are furnished below:-

(1) Average number of basins worked daily: 135
(2) Cocoons consumed: 2,04,066 lbs.
(3) Cost of cocoons: Rs.3,23,246/-
(4) Cost of labour: Rs. 44,580/-
(5) Output of silk including duppion silk: 10,823 lbs.
(6) Output of silk waste: 7613 lbs.
(7) Turnover Rs.12,08,174/-
(8) Net profit Rs.1,01,497/-
(9) Average manufacturing cost: Rs. 50-12-7 per lb.
(10) Percentage of profit to capital. 16.99%

The filature earned a net profit of Rs.1,01,497 during the year as against a loss of Rs. 1,35,080/- in 1948-49. The turnover during the year was Rs.12,08,174/- as against

/p.t.o./

10

Cn 63393 G/52

: 2 :

Rs. 14.4 lakhs in the year 1948-49. Though the turnover was less than that of 1948-49, the concern earned a higher profit due to increase in the selling rates of silk and also due to the disposal of the accumulated stock of silk waste at favourable rates. The decline in the turnover was due to the closure of the Filatures from 1-4-49 to 15-8-49 and from 2-2-50 to 31-3-50 due to non-availability of cocoons at reasonable rates. The policy regarding the purchase of cocoons has been liberalized now and every effort is being made to build up stocks during the seasons when prices are favourable.

during the year

The experimental Weaving section earned a profit of Rs. 1969/as against Rs.4,251 during 1948-49.

Item (2): Purchase and sale of Japanese Silk

The scheme was started on 1st May '48 and closed on 7th May 1949 and a consolidated account for the scheme was already prepared in connection with the Appropriation Accounts 1948-49 and the Audit report for 1950-Vide item (xiii) on page 424 ibid. The Accountant General hasnot therefore included Pro-forma accounts of this scheme in the Appropriation Accounts for 1949-50 and the Audit Report for 1951, now under consideration. It is presumed that no note is necessary on this scheme for the Public Accounts Committee this year.

for trip

M

26/6/52

K. Karunakaran 26.6.52
for Director of Industries & Commerce

This file deals with the notes for the P.A. Committee on Commercial Concerns and State Trading Schemes.) Dept Deptt

Please see the D.I.C's report on pp 9-10 above

A draft note on the working of the Gunt Silk Filatures, Kollegal has been prepared and added to the ~~[illegible]~~ file of 'K' Section which deals with all Commercial Concerns under the Charge of Dept Deptt. A copy of the note is kept below.

Cn 64573 K/52

The presumption of the D.I.C at M' above seems correct. Finance may however see.

4/7/52

Dev. U.O. No. 63393 G-52-2
5-7-52

For

ADDITIONAL DEPUTY SECRETARY TO GOVERNMENT
FINANCE DEPARTMENT
7 - JUL 1952
50124

11.

Fin (Accts)

The presumption of D.I.&C. as M. on p 10 above s' correct. (Attention for s in this connection invited to the portion marked K. on p 19 of the Appn. Accounts for 1952. ~~[illegible]~~)

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[illegible] Sitrip

25.7.52

Dev. Deptt.

Dev 85085 9/52
28-7-52

From U.O. 50124-Acc15/52-1
26-7-52

Finance Deptt. notes above. No further action is called for on this.

31/7/52

UNDER SECRETARY
28 JUL 1952
DEVELOPMENT DEPARTMENT

Dev (G) Dept

Memo No 63393 G/52 - 5 dt 28-7-'52

Sub :- Appropriation Accounts for 1949-50 and Audit Report for 1951 - Note for ~~the~~ Public Accounts Committee.

Ref :- G.O. No. 690 Dev dt 25-2-'52

The attention of the D.G&C is invited to his letter No. 6362 DI/50 dt 20-9-51 and to paragraph 10 of the G.O. cited. The D.G&C is requested to submit at once his final report on the failure to revise the selling rates of silk fabrics in proportion to the increase in the cost of ~~production~~ silk. The information is required in connection with the preparation of this note for the P.A. Committee on the Appropriation Accounts for 1949-50 and Audit Report for 1951 and should be furnished before 7-8-'52

28-7-'52 28/7/52

Flag (K)

Paper V ... pp 23-25 of (K)

p 27 of (K)

Vide B on p 25 of (K)

To Dept

The D.G&C.

R.D. 7/8.8.'52

By Special Messenger

SM

15

Industries and Commerce Department

From
Sri M.T.Raju, Bar-at-Law., I.C.S.,
Director of Industries and
Commerce, Madras.6

To
The Secretary to Government,
Development Department,
Madras.

No.6362-D1/50. ted 6--8--'52

89604
708/52

Sir,

Sub: Industries - Sericulture - Government Silk Filatures, Kollegal - Audit report on the accounts for period 1949-50.

Ref: (1) G.O.No.630 Dev., dated 25-2-52
(2) Govt.Memorandum No.633934/52-5 dt. 28-7-52.

UNDER SECRETARY
7 AUG 1952
DEVELOPMENT DEPARTMENT

In paragraph IV of section B of the audit report on the accounts of the Government Silk Filatures, Kollegal for the year 1949-50, the Accountant General observed that the working of the silk weaving section during the above period resulted in a profit of Rs. 1,969/- as against Rs.4251/- during the preceding year and that the decrease in profit was mainly due to non-revision of the selling rates in proportion to the increase in cost of silk. In para 10 of the G.O.first cited, Government have called for a report on the failure to revise the selling rates in proportion to the increase in the cost of production.

2 In this connection, I submit that from the inception of the Weaving Section the selling prices of silk fabrics produced were worked out on the basis of the selling or market rates of raw silks issued to the weaving section and not on the basis of the cost of production of raw silk. The Accountant General had, however, suggested, in the audit report on the accounts of the Government Silk Filatures, Kollegal for the year 1948-49, that the silk issued to the weaving section should be valued on the basis of cost of production of silk instead of at selling rates. Government have in their memo No.90271-M1/51-4 Development dated 30-11-51 approved the suggestion of the Accountant General to value the silk issued to the weaving section on the basis of the cost of production of raw silk arrived at on the basis of the provisional figures of indirect charges. Pending receipt of the above orders, the raw silk issued to the Weaving section was, however, continued to be valued on the basis of selling rates of raw silk prevailing on the dates of such transfers and not on the basis of cost of production and the prices of silk fabrics were fixed accordingly.

3 During the year 1949-50, under review, the rates adopted for the raw silk issued to the weaving section were as below:-

1-4-49 to 18-7-49	..	Rs.33-8-0, 35-8-0, 36-8-0 per lb.
19-7-49 to 10-2-50	..	Rs.33-8-0 per lb.
11-2-50 to 31-3-50	..	Rs.47/- per lb.

These rates were the then prevailing selling rates excepting for the period 19-7-49 to 10-2-50 when an uniform rate of Rs. 33-8-0 was adopted.

4 In this connection I also invite reference to this office letter No.876-D1/51 dated 2-7-51 wherein it was reported that during the second half of the year 1949-50 the selling prices of raw silk went up from Rs. 33-8-0 to Rs.43-8-0 per lb. owing to the acute shortage of silk in the market

/p.t.o./

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pp 13-15 Cfg (2)

without any corresponding increase in the prices of silk fabrics. It was also reported in the Statement enclosed with this office letter No.876-DI/51 dated 18-10-51 that the selling rates of silk fabrics produced in the silk filature during the above period ranged from Rs. 7/- to Rs. 12/- while the ~~xxxx~~ market rates during the period were ranging from Rs.6/- to Rs. 10/- per yard. In case the selling rates of our fabrics were increased further, the working of the weaving section would have been adversely affected especially when the ~~market~~ rates did not indicate any corresponding increase.

5. It is submitted that in the circumstances explained above, it was not possible to revise the prices of silk fabrics produced at the Government Silk Filatures in proportion to the cost of production of raw silk.

I.S. Rahman
for Director of Industries and Commerce

trs/ 6/8

9/68

DEVELOPMENT DEPARTMENT.

NOTE FOR THE PUBLIC ACCOUNTS COMMITTEE.

[Appropriation Accounts for 1949–50—Appendix—Pages 470 to 475.]

[SUBJECT. —*Government commercial concerns—Financial review.*]

Extract from the Report of the Public Accounts Committee on the accounts of 1932–33—*Pages* 22–23—*Paragraph* 36.

"On the report of the accounts for 1929–30 our predecessors made the following recommendations regarding the financial review of the Government commercial concerns.

(*a*) The audit must be expedited so that administration reports may be prepared on the audited figures if this is not already the parctice;

(*b*) the administration reports should deal in sufficient fullness with the financial and business aspects, both present and prospective, of the various commercial concerns; and

(*c*) the administration reports, together with the Commercial Auditor's reports should be laid before the Public Accounts Committee simultaneously, for consideration.

We agree with our predecessors that administration reports should be based on audited figures."

NOTE BY THE DEVELOPMENT DEPARTMENT.

Copies of the administration reports of the Cinchona, Fisheries and Industries departments for the year 1949–50 and of the audit reports for 1949–50 have been furnished separately to the members of the Committee :—

(i) Audit Report of the Cinchona Department;
(ii) Audit Report of the Pearl and Chank Fisheries;
(iii) Audit Report of the Fish-curing Yards;
(iv) Audit Report of the Kerala Soap Institute;
(v) Audit Report of the Industrial Engineering Workshops;
(vi) Audit Report of the Government Oil Factory;
(vii) Audit Report of the Government Silk Filatures, Kollegal;
(viii) Audit Report of the Andhra Paper Mills, Rajahmundry;
(ix) Audit Report of Government Ceramic Factory, Gudur; and
(x) Audit Report of Manufacture of Pyrethrum extract at the Kerala Soap Institute, Kozhikode.

The figures relating to the concerns in the administration reports of the Cinchona and Industries departments are based on the audited figures of the Accountant-General. Audited figures in respect of Fisheries department were not available in time for incorporation in the Administration Report.

Financial results and other points of importance raised in Audit Reports.

(i) *Cinchona.*—The working of the Cinchona department for the year 1949–50 resulted in a net loss of Rs. 1,74,429 as against Rs. 36,858 in the previous year notwithstanding the decrease in loss in the Plantations from Rs. 3,27,920 in 1948–49 to Rs. 3,08,667 in 1949–50. The increase in loss is

mainly due to increase in the cost of production of quinine sulphate powder and tablets and to reduction in sales, especially in products having a larger margin of profit.

Cinchona is a long-term crop which comes to maturity in a period of 10 to 12 years from planting. A system of harvesting by coppicing trees has, of late, been adopted by the Director, Cinchona department. The loss recorded does not represent real loss but only an excess of expenditure over the receipts in the form of bark harvest, which are small. The plantation will continue to record a loss for some years, i.e., till the cinchona plants come to maturity. It may be noted, in this connexion, that an amount of Rs. 3,50,883 is allowed as interest charges on the investment which has still to mature.

As a result of the restriction in the sale of quinine which was in force during the previous years there was a large accummulation of stocks in the Central Jail, Coimbatore. On account of the all-round increase in cost of labour, there has also been a steady increase in the cost of production of the various drugs and a corresponding reduction in the margin of profit.

With the removal of control and the publication of this fact in the important daily newspapers and monthly magazines, sales have improved and there has been a considerable decrease in the stocks. Effective steps also have been taken to improve the system of packing, etc., so as to make them more attractive. The full financial effect of the above measures was not, however, reflected in the accounts of the department for the year, as sanction for the removal of control over the sale of quinine, etc., was accorded towards the last quarter of 1949-50. But compared with the previous year, the action taken on the lines indicated above had resulted in accelerating sales considerably and liquidating the stock.

A statement showing the balances stock of the various quinine products as on 31st July 1952 is appended.

Name of product.	Stock balance.	
	Tablets	Powder.
(1)	(2)	(3)
	LB.	LB.
Government of Madras stocks.		
1. Quinine Sulphate		16,300
2 Quinine Sulphate tablets	1,174	—
3 Quinine Bisulphate —		·55
4 Quinine Hydrochloride		341 7 oz.
5 Quinine Hydrochloride tablets	378	—
6 Quinine Bihydrochloride		25
7 Quinine Hydrobromide		6 2 „
8 Quinine Bihydrobromide		·10 ·15 „
9 Quinine Salicylate		·1 2 „
10 Cinchona Febrifuge		28,183 0 „
11 Cinchona Febrifuge tablets	3,832	—
12 Totaquina		4,329 0 „
13 Totaquina tablets	293	..
Total—Government of Madras Stock —	5 677	49,251 ·10 oz.

Name of product.	Stock balance.	
	Tablets.	Powder.
(1)	(2)	(3)
	LB.	LB.
Government of India stocks.		
14 Quinine Sulphate	..	1,908
15 Quinine Sulphate tablets	12,220	..
16 Cinchona febrifuge	..	1,135
Total—Government of India stock ...	12,220	3,043

(ii) *Pearl and chank fisheries*—(*a*) *Pearl fisheries.*—No pearl fishery operation was carried out during the year 1949–50. Since February 1928, the operations have been confined merely to the survey of pearl banks and scrutiny of the growth of pearl oyster. The pearl fishery in the sea off Madras is sporadic unlike in the Persian Gulf where pearl fishery is an annual feature The receipts during the year amounted to Rs. 124–12–0 being the amount realized by sale of empty pearl oyster shells. The net expenditure during the year was Rs. 21,872–14–9 as against Rs. 22,242–12–6 during the previous year 1948–49.

(*b*) *Chank fisheries.*—The collection of chanks in respect of Tanjore, Sivaganga and Tirunelveli Fisheries are shown below :—

Chanks fished.	*Tanjore.*		*Sivaganga.*		*Tirunelveli.*	
	1948–49.	1949–50.	1948–49.	1949–50.	1948–49.	1949–50.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Full sized chanks	19,902	30,509	1,424	1,550	599,103	831,098
Under-sized chanks and wormed chanks.	8,231	11,968	724	580	68,151	73,460
Total ..	28,133	42,477	2,148	2,130	667,254	904,558
	RS.	RS.	RS.	RS.	RS.	RS.
Percentage of under-sized and wormed chanks to the total catches.	29·3	28·1	33·7	27·2	10·21	8·1
Production cost per 1,000 chanks.	271	212·6	591	598·3	460	[illegible]

The heavy collection of chanks in respect of Tirunelveli Fisheries is due to—

(i) Participation of more divers owing to the restriction of emigration of Indian divers to Ceylon by the Ceylon Government ; and

(ii) the enhanced rate of five annas six pies per chank sanctioned in December 1947 and other amenities provided to the divers attracting Malabar divers.

The decrease in the cost of production of Tirunelveli and Tanjore chank is due mainly to the large number of chanks fished during the year under report compared with the previous year.

The increase in the production cost of Sivaganga chanks is negligible.

During the year, the chank fisheries taken as a whole yielded a net profit of Rs. 3,21,789 as against a profit of Rs. 5,27,620 during the previous year 1948–49. The difference is mainly due to the fact that during the previous year 1946–47 and 1947–48 season chanks were sold while during the year under review only 1948–49 season chanks were sold.

(iii) *Fish-curing yards.*—The working of the fish-curing yards during the year 1949–50 has resulted in a loss of Rs. 2,78,333 as against the loss of Rs. 2,41,589 for 1948–49. The loss of about Rs. 30,000 more than in the previous year is due to—

(*a*) Fall in the price of salt, and consequent decrease in the value of closing stock which has been valued at the average cost for the year (viz)., about Rs. 1–9–0 as against about Rs. 2–5–0 per maund in the previous year;

(*b*) Fall in the demand of salt by curers as salt was available in the market at a rate much lower than the issue rate of the department (Rs. 2–8–0 per maund in West Coast and Rs. 1–14–0 in the East Coast) thus resulting in the fall in operations. The higher price of sale issued by department is mainly due to the superior quality of salt as compared with bazaar salt. With effect from 10th November 1950 salt is being supplied at Re. 1–4–0 per maund in all yards to attract more curers to the yards and help to preserve larger quantity of fish. The net cost (or loss) on account of the subsidized supply of salt is to be shared equally between the Union and the State Government.

The prime cost of salt issued during the year worked out to Rs. 2–12–6·3 per maund as against Rs. 2–4–3·6 per maund in 1948–49. The increase in the prime cost of salt in spite of the marked fall in purchase price of salt is due to lower rate than in the previous year being adopted for valuing closing stock.

(iv) *Kerala Soap Institute, Kozhikode.*—The Kerala Soap Institute, Kozhikode, worked at a profit in the years 1947–48, 1948–49 and 1949–50 as shown below :—

Year.	*Output in tons.*	*Turnover in tons.*	*Value.*	*Net profit.*	*Percentage of net profit to turnover.*
			RS.	RS.	
1947–48	636	597	14,68,198	2,10,063	14·3
948–49 .. .	492	462	11,08,688	1,44,988	13·1
1949–50	295	285	6,73,160	78,985	11·7

The fall in the profit is attributed to general trade depression, flooding of other similar varieties of soaps in the open market, springing of several soap factories in recent years and absence of demand from railways during the year 1949–50. The decrease in the profit is also due to the increase in cost production on account of increase in cost of raw materials and general fall in turnover.

(v) *Industrial Engineering Workshops, Madras.*—The working of the Industrial Engineering Workshops during the year 1949–50 resulted in a net profit of Rs. 33,321–7–6 as against Rs. 28,260–2–8 in the previous year. The increase in the net profit is mainly due to larger recovery on account of overhead charges, miscellaneous receipts due to adjustment of stock difference and slight increase in turnover.

(vi) *Government Oil Factory, Kozhikode.*—The Government Oil Factory, Kozhikode, worked at a profit during the year 1949–50 when compared with the loss during the years 1947–48 and 1948–49 as shown below :—

Year.	Turnover.	Loss (—) or gain (+).	Percentage of loss or gain to turnover.
	Rs.		
1947–48	1,80,827	(—) 33,259	(—) 18·4
1948–49	2,30,978	(—) 23,250	(—) 10·1
1949–50	2-66,812	(+) 4,579	(+) 1·7

The profit during the year under review is due to increased sales and also due to the revision of selling rates with effect from 1st November 1949.

(vii) *Government Silk Filatures, Kollegal.*—The working of the Government Silk Filatures, Kollegal, during the year 1949–50, resulted in a net profit of Rs. 1,01,497 as against a net loss of Rs. 1,35,080 during 1948–49. Particulars regarding output, turn over, cocoons consumed and their cost, cost of labour, etc., are furnished below :—

(1) Average number of basins worked daily ..	135
(2) Cocoons consumed	204,066 lb.
(3) Cost of cocoons	Rs. 3,23,246
(4) Cost of labour	Rs. 44,580
(5) Output of silk including duppion silk ..	10,823 lb.
(6) Output of silk waste	7,613 lb.
(7) Turnover	Rs. 12,08,174 *
(8) Net Profit	Rs. 1,01,497
(9) Average manufacturing cost	Rs. 50–12–7 per lb.
(10) Percentage of profit to capital	16·99 per cent.

* Includes sale of silk waste for Rs. 1,84,676.

The closure of the Filatures for over six months from 1st April to 15th August 1949 and again from 2nd February to 31st March 1950 due to non-availability of cocoons at reasonable rates resulted in an infructuous expenditure of about Rs. 75,000 and in the decline of the turnover from 14·4 lakhs in 1948–49 to Rs. 12,08,174 in 1949–50. In spite of this the concern earned a net profit of over one lakh of rupees during the year mainly due to the increase in the selling rates of silk and also due to the disposal of the accumulated stock of silk waste at favourable rates. The policy regarding the purchase of cocoons has since been liberalised and every effort is being made to effect purchases and build up stocks of cocoons during seasons, when prices are favourable.

The working of the experimental weaving section attached to the silk filatures during the year 1949–50 resulted in a profit of Rs. 1,969 as against Rs. 4,251 during the year 1948–49. The Government had taken up the matter with the Director of Industries and Commerce and the reasons for the decrease in profit during 1949–50 given by him are being examined.

(iii) *The Andhra Paper Mills, Rajahmundry.*—The Andhra Paper Mills, Rajahmundry, which were in liquidation were purchased by the Government in April 1948 for a price of Rs. 25 lakhs. After effecting major repairs partial production began from August 1948, working the Mills only one shift for 8 hours. This continued till October 1949, when two shifts were started.

From February 1950, full production of the Mills commenced working three shifts. The Mills had been treated as regular commercial concern with effect from 1st April 1949. The working of the Mills during 1949–50 resulted in a net profit of Rs. 15,400.

(ix) *Government Ceramic Factory, Gudur.*—The Government Ceramic Factory, Gudur, started production in October 1948 and the factory was ordered to be treated as a regular commercial concern with effect from 1st April 1949. The working of the factory during the 1949–50 resulted in a loss of Rs. 96,482. It was reported that the loss was mainly due to the following factors; unstabilised production, defective planning, inexperience of the labour in the method of firing the kilns, and the inefficient management of the ex-Works Superintendent (Sri D. S. Jaganatha Rao). The defects noticed in the working of the factory had been rectified after the Ceramic Expert (Sri A. N. Raju) returned from abroad and took charge of the Factory in February 1950. With a view to ensure the stability of the Factory, the Government have sanctioned in June 1951 the reorganization of the Factory by installing a tunnel kiln and undertaking an additional line of manufacture, viz., manufacture of electric procelain insulators in the Factory.

(x) *Manufacture of pyrethrum extract at the Kerala Soap Institute, Kozhikode.*—The manufacturing operations of pyrethrum extract at the Kerala Soap Institute, Kozhikode, in the year 1949–50 resulted in a net profit of Rs. 3,878–8–4 as against a net profit of Rs. 1,272–0–4 during the preceding year. The increase of profit is mainly due to the larger sales (3,578 gallons) than in 1948–49 (2,105 gallons) and partly to the increase in the margin of profit of the pyrethrum extract manufactured and sold during the year consequent on a fall in the cost of production from Rs. 23–2–3 to Rs. 21–7–7 per gallon.

The output and turnover in 1949–59 *vis-a-vis* those of 1948–49 are as follows :—

Year.	Output in gallons.	Turnover in gallons.
1948–49	3,328	2,105
1949–50	818	3,578

J. M. LOBO PRABHU,
Secretary to Government.

Sub:- Industries - Sericulture - Govt. Silk Filatures, Kollegal - Audit Report on the accounts for 1949-50 - Decrease in profit Orders passed.

Read:- G.O.No.Ms.690 Devt. dt. 25-2-1952.
Read also:- From the D.I.& C. No.6362 DI/50, dated 6-8-1952.

G.O.Ms.No. 4305 dated 10-X-52

The working of the Silk Weaving Section attached to the Govt. Silk Filatures, Kollegal during 1949-50 resulted in a net profit of Rs.1,969/- as against Rs. 4,251/- during 1948-49. In his audit report on the accounts of the concern for the year the A.G. observed that the decrease in profit was mainly due to non-revision of the selling rates in proportion to the increase in the cost of silk. The D.I.& C. was therefore asked to report why the selling rates of silk was not revised in proportion to the increase in the cost of silk.

A copy of the letter from the D.I.& C. read above is forwarded to the A.G. The practice followed in issuing raw silk produced at the Govt. Silk Filatures, Kollegal to the weaving section was to transfer the silk at the selling rates prevailing in the market on the dates of such transfers. Owing to the acute shortage of raw silk in the market during the second half of 1949-50, the prices of raw silk in the market went up from Rs. 33-8-0 per lb. to Rs. 48/- a lb. without any corresponding increase in the prices of silk fabrics. After studying the market conditions in Bangalore and having regard to the fact that if the then current rates for raw silk were to be charged in respect of the silk issued to the weaving section, there would have been little or no demand for the silk fabrics manufactured, the D.I.& C. permitted during the period, 19-7-49 to 10-2-50 the transfer of 419 lb. 3½ oz. of raw silk to the weaving section at a uniform rate of Rs. 33-8-0 per lb. In G.O.No. Ms.

24

6040 Devt. dt. 7-12-51, the Govt. ratified the action of the D.I.& C.

Even with the adoption of reduced rates for the raw silk issued, the cost of silk fabrics manufactured ranged from Rs. 7/- to Rs. 12/- per yard while the market rates ranged from Rs. 6/- to Rs. 10/- per yard. If the raw silk issued to the weaving section was charged at the then prevailing market rates in accordance with the practice, ~~this procedure~~ the working of the weaving section would have been adversly ~~affected~~ affected and might have resulted in a loss. In the circumstances, the D.I.& C. has stated that it was not possible to revise the prices of silk fabrics in proportion to the cost of production of raw silk . In view of the special circumstances then prevailing, the Govt. accept the explanation of the D.I.& C.

With reference to the orders issued in Memorandum No.90271 MI/51-4, dt. 30-11-51, raw silk issued to the weaving section will now be valued on the basis of its cost of production arrived at on the basis of the provisional figures of ~~direct~~ indirect charges. In paragraph 10 ~~xxx~~ of G.O.Ms.No.690 Devt. dt. 25-2-52 the Govt. have also fixed the margin of profit for silk fabrics at 6¼ per cent of its cost instead of a flat rate of annas eight per yard. The Govt. expect that the difficulties and the defects in working out the cost of silk fabrics experienced will not recur.

To

The A.G. thro' Fin. (with enclosure)
The D.I.& C.
The Finance Dept.

~~[illegible]~~

Extract from the Note for the Public Accounts Committee. (File no. C.64573 K/52).

***

xx xx xx

The working of the experimental weaving, section attached to the silk filatures during the year 1949-50 resulted in a profit of Rs.1,969/- as against Rs.4,251 during this year 1948-49. The D.I.& C. has been asked to submit a report on the decrease in profit during the year.

M

'X' on p 27 of (K)
Govt. no 690 Dept
25.2.52

A.C.
9.7.52

Fin. (Acct) Dept.

xx xx xx

(Vii) Govt. Silk Filatures, Kollegal:-

The concluding sentence referred to at 'M' on p. 6 of the draft note above does not seem necessary. Dev. may be requested to obtain the information very urgently from the D.I.& C. and incorporate the same in the note to the Public Accounts Committee.

A

xx xxx
23-7-1952 24-7-1952

Dev (G) Dept.

A above

A draft memo to the D.I.& C. is submitted below for approval

28.7.52 LP 28/7/52

[Issued as Memo no. 63393 G/52-5 d 28.7.52]

[From the D.I.&C. no. 6362.D.1.50 d 6.8.52]

XX Extract from file bearing C.No.64573 K/52.

Government Silk Filatures, Kollegal.

In his Audit Report on the accounts of the Govt. Silk Filatures, Kollegal for 1949-50; the A.G. has observed that the decrease in profit in the working of the weaving section was due to the non-revision of the selling rates in proportion to the increase in the cost of production. The D.I.& C. was therefore asked to

[illegible] to taken from [illegible] file on 29-8-52

para IV(a) on p 6 CF
[illegible] (K)

2/ submit a report on the failure to revise the selling rates proportionately. The report of the D.I.& C. is on pp.15-16 c.f. of L.F. below. In his letter the D.I.& C. has explained the practice then prevailing of valuing raw silk issued to the weaving section and the circumstances under which revision of the prices of silk fabrics in proportion to the cost of production was not possible. The arguments of the D.I.& C. have to be examined in consultation with Finance which will take time. As it does not seem quite necessary to delay the note for the P.A. Committee on Govt. Commercial concerns until the report of the D.I.& C. is examined and reasons for the decrease in profit assessed, the concluding sentence of the draft note (on p. 6) may be deleted as suggested by Finance. For orders.

Finance may see again.

A.C.
9-8-1952

xx xx xx

2. 'N' on page 1 above:- The reasons for the decline of profits in 1949-50, compared to 1948-49 have been explained by the Director of Industries and Commerce on pp.15-16 c.f. of L.F. While Development are agreeable to delete the last sentence of the note, on page 6, they are of the view that the reasons for the smaller profits in 1949-50, furnished by the Director of Industries and Commerce have to be examined before they can be accepted and incorporated in the draft note. It would appear that the fact of decline in profit has to be explained in the draft note in view of the comments of the Accountant-General in the Appropriation Accounts. Development Department may therefore be requested to expedite the examination of the D.I.&C's report on pp.15-16 c.f. in L.F., and revise the draft note suitably.-

A above:- This may not be possible if the note is to be got ready in time. It may be sufficient now to state in the note that the Govt. had taken up the matter with the D.I.& C. and that the reasons given by him are being examined. The P.A. Committee can be informed of the final conclusions when the item is taken up by it at the time of the meeting.

19-8-52 xx 4-8-1952 P.t.o.

xxx xxx xxx

2. Government Silk Filatures, Kollegal.

Attention is invited to para 2 of Finance Deptt. note on p. (4) above and 'B' on p. (4) above. The draft note on the Silk Filatures on p. 6 has been suitably amended. After orders are passed necessary extracts from this file will be taken and added to L.F. below and the reasons examined in that file in consultation with Finance.

xx xx xx

A.C.
22-8-1952.

Extract of note from 'xx' onp 1 above may be read

The working of the Silk Weaving Section attache to the Govt. Silk Filatures, Kollegal during 1949-50 resulted in a net profit of Rs. 1,969/- as against ~~Rs~~ Rs 4251/- during 1948-49. In this audit report on the accounts of the concern, the A.G. observed that the decrease in profit was mainly due to non-revision of the selling rates in proportion to the increase in the cost of Silk. The D.I.&C's explanation for the decrease in profit is on pp.15-16 c.f. The reasons for the decrease are examined below:-

2. The practice followed in issuing raw silk produced at the Govt. Silk Filatures, Kollegal to the Weaving section was to transfer the silk at the selling rates prevailing in the market on the dates of such transfers. The rates adopted for the raw silk issued to the weaving section during 1949-50 were as given below

1-4-1949 to 18-7-49	..	Rs. 33-8-0, 35-8-0, 36-8-0 per lb.
19-7-1949 to 10-2-50	..	Rs. 33-8-0 per lb.
11-2-1950 to 31-3-50	..	Rs. 47/- per lb.

The rate adopted during the period 19-7-1949 to 10-2-50 was ~~only~~ a uniform rate and did not represent the cost of production or the prevailing market rate.

3. Owing to acute shortage of raw silk in the market during the second half of 1949-50, the prices of raw silk in the market went up from Rs. 33-8-0 p/lb.

4

to Rs. 48/- a lb. without any corresponding increase in the prices of Silk fabrics. After studying the market conditions in Bangalore and having regard to the fact that if the then current rates for raw silk were to be charged in respect of the silk issued to the weaving section, there would have been little or no demand for the silk fabrics as the production cost would be high, the D.I.& C. permitted the transfer of 419 lb 3½ oz of raw silk to the weaving section during the period. The action of the D.I.& C. was ratified by the Govt. in G.O.No.Ms.6040 Devt. dt. 7-12-51. Even with the adoption of reduced rates for the raw Silk issued to the weaving section, the selling rates of Silk fabrics manufactured ranged between Rs. 7/- and Rs. 12/- per yard while the market rates ranged only from Rs. 6/- to Rs. 10/- per yard. If the rates of raw silk had been increased, with a corresponding increase in the value of silk fabrics, the working of the weaving section would have been adversly affected and might have resulted in loss.

In view of the practice of valuing raw silk issued to the weaving section at the prevailing market rates, the course adopted by the D.I.& C. seems to be the only safe and reasonable one and his explanation for non-revision of the selling rates seems acceptable. For orders.

The Govt. have since then in memo No.90271 MI/51-4, dated 30-11-1951 ordered, in consultation with the A.G., that the raw silk issued to the weaving section should be valued on the basis of the cost of production arrived at on the basis of the provisional figures of indirect charges. The Govt. have also approved the suggestion of the D.I.& C. to fix the margin of profit for silk fabrics at 6¼% of its cost instead of a flat rate of annas eight per yard. The difficulties and the defects in working out the cost of silk fabrics experienced may not now recur.

The remarks of Finance may be invited.

G
8/9/52

It would be useful to see how this flat rate of Rs 33/- fixed between 19.7.49 and 10.2.50 compared with the

para 2 on p 1 CF 7 (G).

p 17 CF 7 (G).

para 4 on pp 15-16 CF

para 2 on p 1 CF 7 (G)

Govt. 5334 Dev 29-12-50

p 81 CF 7 (N)

p 79 CF 7 (N)

A. on p 27 CF 7 (K)

The [illegible] and [illegible] [illegible]

actual cost of production. If this did not go below the cost of production, the D.I.S.C. is justified in issue it at Rs 31.8.0 per lb when the market price had risen up to Rs 48/- per lb.

Submitted.

Attention is invited to the statement at p. 15 c.f. of (G) The cost of production of raw silk during the period varied from Rs. 30-8-0 to Rs. 50-0-9 per lb. Except during the period 19-7-1949 to 31-3-49, when the cost of production was only Rs.30-8-0, the uniform rate adopted was far below the cost of production. The loss in selling the fabrics manufactured out of the 419 lb. 3½ oz. of raw silk issued during the period worked out to Rs. 3,151-8-1 on the basis of cost of production and Rs. 6,078-10-7 on the basis of the market rate of Rs. 48 per lb. The only extenuating circumstance in adopting a low uniform rate not commensurate either with the production cost or the market rate seems to be the fear of losing the market for the fabrics manufactured. This is evidenced from the fact that the cost of fabrics manufacture at the Govt. Silk Filatures, Kollegal during the period worked out to Rs. 7 to Rs. 12 while the market rate ranged from Rs. 6 to Rs. 10.

11/9/52

under the circumstances the explanation of the D.I.S.C. may be accepted.

12/9

Dev 6.0 63393 9/-6
12-9-52

ADDITIONAL DEPUTY SECRETARY TO GOVERNMENT
67283
12 SEP 1952
FINANCE DEPARTMENT

Fin (Accts)

(Pre. Fin. note extracted at p 2 above)

Notes of Dev from the portion marked AAA in pencil on p 3 above may be perused. In the circumstances stated therein, this deptt. may also agree with Dev that the explanation given by the D.I.I.C. in his letter at pp. 15-16 cf. for the decrease in profits in the year 1949-50 for the Govt. Silk Filatures, Kotagal as compared with that for last year may be accepted.

As already observed by this deptt. the position may be explained to the PAC. When this item is taken up for consideration by them.

M

Dev.

Dev Deptt (G) 105294 Fin 67283 Accts 16.9.52

A draft order is submitted below for consideration. It may be sent to Finance for acceptance before issue. After issue the file may be kept open till the P.A. Committee meeting is over.

UNDER SECRETARY 17 SEP 1952 DEVELOPMENT DEPARTMENT

Dev 4-063393 9/52

SENIOR ASSISTANT ... FINANCE DEPARTMENT 71234 29 SEP 1952 GOVERNMENT OF MADRAS

Fin (Accts)

(Pro. Fin. note on p 6 above).
The draft order below may be perused

3.10.52

4.10.52

Fin v.o. 71234 Accts 52-1
7-10-52

Dept Dept

Dev.(G) Dept.

Dept Cn 112970 Gen
8-10-52

UNDER SECRETARY
8 OCT 1952
DEVELOPMENT DEPARTMENT

Notes from AAA on p. 3 above may be read.

The draft order below may now issue.

2. In his Audit Report of the accounts of the Govt. Silk Filatures, Kollegal for 1949-50, the A.G. observed that the decrease in profit from Rs.4,251/- in 1948-49 to Rs. 1,969/- in 1949-50 on the working of the Silk Weaving section attached to the Silk Filatures was mainly due to the non-revision of the selling rates in proportion to the increase in the cost of Silk. The D.I.& C. was therefore asked to furnish his explanation for the decrease. While the note for the P.A. Committee, scheduled to meet shortly, on the financial review of Govt. Commercial concerns was prepared it was stated in respect of this "that the Govt. had taken up the matter with the Director of Industries and Commerce and the reasons for the decrease in profit, during 1949-50 given by him are being examined" - Vide 'M' on p. 21 c.f. - A copy of the note prepared for the P.A. Committee will be found on pp.17-22 c.f and the portion relating to Govt. Silk Filatures, Kollegal on p. 21 c.f.

The explanation of the D.I.& C. has since then been examined and it is proposed to issue orders as in the draft order below. By the

p.t.o.

para IV (a) mp 6 CF of (K)

'A' mp 2 CF of (K)

vide extract of notes mpp 1-2 above
20-10-1952

vide 'B' mp 2 above

pp 5-16 c.f
pp 3-6 above

8/ time the Committe meets, the A.G. would have received a copy of the order. If, however, the question is raised at the P.A. Committee meeting, Secretary may explain the ~~and~~ position as in the order below - vide Finance Deptt. notes at 'M', on p. 6 above.

After issue of the order the file may therefore be kept open till the P.A. Committee meeting is over. The file will be submitted to Secretary for use at the P.A. Committee meeting.

A

9/X/52

9X587

J.S.

Issued ~~as~~ 9.0 M.S. 4305 Dev dt 10-10-52

A above the meeting of the P.A. Committee is over. No action is pending in this file. The papers now be closed.

23.10.52

28/X/52